Benefits from CAFTA-DR
California

U.S. Department of Commerce
International Trade Administration
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California's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $660 million in 2004, the sixth-largest total among the 50 states.

California's exports to the CAFTA-DR nations increased by 70 percent between 2000 and 2004, even as California's world total exports declined 8 percent. While the amount of California's exports to the CAFTA-DR countries remains small compared to its total exports, their rapidly increasing value signals the region's growing importance to the state. Over the 2000-2004 period, California ranked third among the states in terms of dollar growth of exports to the CAFTA-DR countries.

California's exports to CAFTA-DR countries are dominated by manufactured goods, which in 2004 comprised 89 percent of the state's total exports to the region. Top exports to the CAFTA-DR group in 2004 were computers and electronic products ($213 million), fabric mill products ($89 million), and petroleum and coal products ($48 million). Total exports to the group grew $271 million during that year.

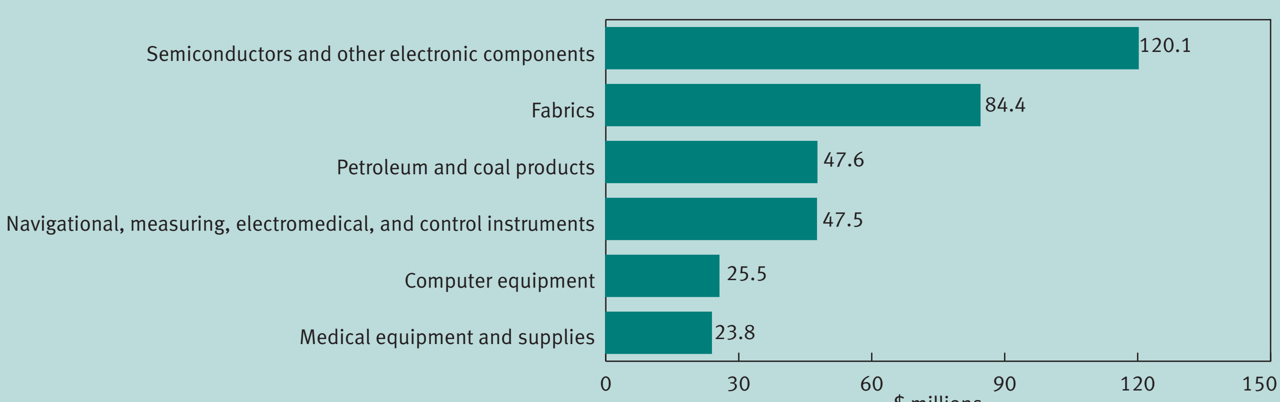
CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for California's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent

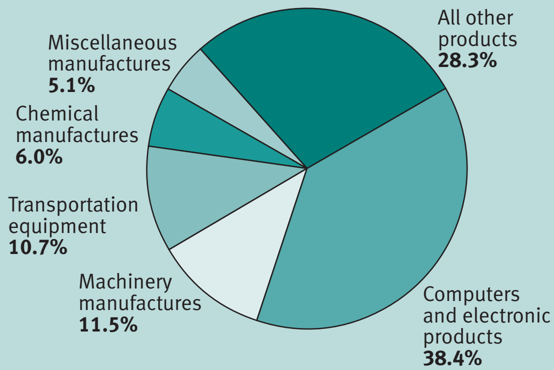
California Exported $586.6 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Semiconductors and Other Electronic Components Is Top Category



Source: U.S. Department of Commerce.

California Exported $110.0 Billion in Goods to the World in 2004

Computers and Machinery Account for Half



Source: U.S. Department of Commerce.

of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

High-Tech Exports Are Important for California

The CAFTA-DR Agreement improves market access for information technology goods and services. All exports of products covered by the Information Technology Agreement, including important California exports such as computer equipment and communications equipment, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement. From 2000 to 2004, California exports of computer and electronic product exports to the CAFTA-DR countries increased by more than $100 million.

CAFTA-DR Opens Markets for Other Key California Exports

California's other top manufactured exports will also benefit from the CAFTA-DR agreement:

Fabric mill products. CAFTA-DR provides regional garment-makers —and their U.S. suppliers of fabric and yarn —a critical advantage in competing with Asia. Garments made in the region will be duty-free under the agreement if they use U.S. fabric and yarn, thereby supporting U.S. exports and jobs. Textile and garment factories in Central America and the Dominican Republic purchase large amounts of fabric and yarn from the United States: the region is the second-largest world market for these U.S. products. California's exports of fabric mill products jumped to $89 million in 2004 from $11 million in 2000.

Chemical manufactures. California's exporters of chemicals and related products will benefit from CAFTA-DR. Tariffs on high-value chemical products, such as residual pharmaceuticals, medications, and insecticides/herbicides, will, in most cases, be phased out immediately or over five years. Chemicals manufactures are a top California global export, and the CAFTA-DR tariff reductions will provide California exporters an opportunity to increase sales to this growing market.

Machinery manufactures. Ninety-two percent of U.S. capital goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement.

California's Farmers Will Benefit From CAFTA-DR

Despite high tariffs and other barriers on most agricultural products, including important California products—such as dairy, fruits, tree nuts, vegetables, rice, and wine—U.S. exporters shipped more than $1.6 billion in U.S. farm exports to the CAFTA-DR region in 2003. In the free trade agreement, a primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. More than 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

For more information on agricultural exports and the CAFTA-DR Agreement, see the state fact sheets posted by the U.S. Department of Agriculture at *www.fas.usda.gov/info/factsheets/CAFTA/state.html*.

California's Exports Were Spurred by Past Trade Agreements

In the first year of the U.S-Chile FTA, California's exports to Chile grew 10 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, California's combined exports to Canada and Mexico have increased by more than 127 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

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